

## Message Text

PAGE 01 SEOUL 03247 080716Z

21

ACTION EA-06

INFO OCT-01 SS-14 ISO-00 INR-05 PM-03 PRS-01 SP-02 L-01

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 9933

CONFIDENTIAL SEOUL 3247

LIMDIS/NOFORN

EO 11652: GDS

TAGS: EGEN, KS

SUBJECT: CONVERSATION WITH DEPUTY PRIME MINISTER, NAM DUCK WOO

1. AT NAM'S REQUEST, I HAD BRIEF PRIVATE TALK WIN WHICH

HE UNVEILED HIS BASIC CONCERNS, OUTSIDE IMMEDIATE

ECONOMIC PROBLEMS.

2. NAM MENTIONED, AS INITIAL CONCERN, IMPACT OF RISING  
DEFENSE COSTS ON KOREAN BALANCE OF PAYMENTS PROBLEM. WHILE  
HE WAS CONFIDENT THAT HE COULD MEET HIS IMMEDIATE FOREIGN  
EXCHANGE REQUIREMENTS, HE WAS TROUBLED BY CONSTANT MINISTRY  
OF NATIONAL DEFENSE (MND) REQUESTS FOR WEAPONS PROCUREMENT  
ABROAD. HE SAID THAT HE HAD CATEGORICALLY REJECTED THE  
DEMANDS OF THE MND FOR INCREASED BUDGETARY EXPENDITURES  
AND THAT HE HAD SUCCEDED IN REDUCING AN MND REQUEST FOR  
FOREIGN EXCHANGE FINANCING FROM 200 MILLION DOLLARS TO  
100 MILLION DOLLARS. HE THOUGHT PRESIDENT PARK WAS  
GENERALLY "ON HIS SIDE" IN HIS EFFORTS TO CONTAIN DEFENSE  
SPENDING AT REASONABLE LEVELS BUT THAT HE FEARED CONTINUED  
PRESSURE FOR ADDITIONAL FINANCING.

3. I REPLIED THAT MUCH OF HIS PROBLEM STEMMED FROM MND  
DESIRSES FOR WEAPONS SYSTEMS WITHOUT ADEQUATE STUDY OF THEIR  
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PAGE 02 SEOUL 03247 080716Z

COST EFFECTIVENESS. WE HAD FACED SIMILAR PROBLEMS IN THE  
UNITED STATES, BUT HAD DEVELOPED A SYSTEMS ANALYSIS APPROACH  
TO MILITARY PROCUREMENT WHICH DID MUCH TO ALLEVIATE THE  
SITUATION. NAM AGREED THAT SUCH AN APPROACH WAS ESSENTIAL

BUT KOREA LACKED ADEQUATELY TRAINED PERSONNEL TO PROVIDE A RATIONAL SYSTEMS ANALYSIS APPROACH TO DEFENSE EXPENDITURES.

4. I TOLD HIM THAT PROBABLY WE COULD ASSIST THE ROKG IN OBTAINING SUCH TRAINING IF REASONABLY QUALIFIED PEOPLE WERE AVAILABLE FOR TRAINING IN THE UNITED STATES, AND IT MIGHT BE POSSIBLE TO INVITE SOME SPECIALISTS TO KOREA TO ASSIST IN ESTABLISHING AN ADEQUATE SYSTEM WITHIN THE ROKG. NAM THOUGHT SUCH ASSISTANCE WOULD CONTRIBUTE SIGNIFICANTLY TOWARD SOLVING THIS PROBLEM.

5. NAM THEN TURNED TO THE NEED FOR ESTABLISHING AN ADEQUATE EMERGENCY PETROLEUM RESERVE IN KOREA. NAM INDICATED THAT HE WAS UNDER PRESSURE TO BUDGET FOR THE CONSTRUCTION OF ADEQUATE STORAGE FACILITIES, BUT HOPED THERE WOULD BE LESS EXPENSIVE SOLUTION, PERHAPS IF THE U.S. COULD PROVIDE SOME ASSURANCES ON PETROLEUM SUPPLY IN EVENT OF HOSTILITIES. I PROMISED TO LOOK INTO THIS MATTER FOR HIM.

6. NAM CONCLUDED HIS REMARKS BY STATING THAT THE ROKG WAS MOST FEARFUL OF THE POSSIBILITY OF AN EMERGENCY SITUATION DEVELOPING IN KOREA WHICH WOULD DISCOURAGE THE FLOW OF CAPITAL INTO THE COUNTRY. THIS WOULD RESULT IN A RAPID DRYING UP OF THEIR LINES OF CREDIT WITHIN THE INTERNATIONAL BANKING SYSTEM. HE SAID THE NORTH KOREANS HAVE THE CAPABILITY OF CREATING AN EMERGENCY SITUATION ON THE PENINSULA WITHOUT ACTUALLY EMBARKING ON A MAJOR ADVENTURE. I REPLIED THAT WE WERE FULLY AWARE OF THESE FEARS WITHIN THE ROKG, CONSIDERED SOME CONCERNS OVEREXAGGERATED AND THAT WE SHARED THE VIEW THAT A CONTRIVED EMERGENCY ATMOSPHERE WOULD HAVE MOST SERIOUS ECONOMIC IMPLICATIONS.

7. COMMENT: NAM FACES CONSTANT PRESSURE OF JUGGLING ECONOMIC REQUIREMENTS WITH INCREASING REQUIREMENTS FOR MILITARY EQUIPMENT INVOLVING HIGHER COSTS, TECHNOLOGY AND FOREIGN EXCHANGE OUTPUTS. HIS FEARS OF NORTH KOREAN CONFIDENTIAL

PAGE 03 SEOUL 03247 080716Z

POTENTIAL FOR MANIPULATING CRISIS SITUATION TO DETRIMENT OF BANKING SUPPORT ARE ALSO LEGITIMATE, AND IN FACT ABETTED BY ROKG TENDENCIES TO OVERSTATE NK THREAT, ABOUT WHICH I WARNED NAM. NAM CAN BE EXTREMELY HELPFUL IN MODERATING BOTH PRESSURES FOR UNNECESSARY MILITARY PROCUREMENT AND OVERSTATEMENT OF THREAT. I WOULD RECOMMEND THEREFORE: A) AN EARLY OFFER OF SYSTEMS ANALYSIS SUPPORT FOR MND WHICH IT WOEFULLY NEEDS; B) CONSIDERATION OF PETROLEUM RESERVE PROBLEM RAISED BY NAM; C) PROVISION OF INTELLIGENCE ASSESSMENT ON NORTH KOREAN THREAT.  
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## Message Attributes

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